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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

93-252

Honorable Sam Farr  
House of Representatives  
1216 Longworth House Office Building  
Washington, D.C. 20515

Dear Congressman Farr:

This in reply to your letter of September 14, 1993, concerning the impact of the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (Budget Act) on small business.

On October 12, 1993, the Commission released a Notice of Proposed Rule Making, PP Docket No. 93-253 (Auction NPRM), to implement the provisions of the Budget Act concerning competitive bidding. According to the Budget Act, the Commission must ensure the economic opportunity of small businesses, businesses owned by women and minorities and rural telephone companies. To meet this Congressional mandate, the Auction NPRM proposed a variety of financial incentives for the designated entities. Specifically, we proposed to offer the designated entities the equivalent of government financing for payment of their bids for radio services subject to competitive bidding, *i.e.*, installment payments with interest. We also asked for comment on the use of tax certificates. In the case of broadband PCS, the Commission also proposed to set-aside two blocks of spectrum in each market, one of 20 MHz and one of 10 MHz, for bidding by the designated entities. In this manner, the designated entities would only compete with one another for broadband PCS, rather than against larger entities with easier access to capital.

In a separate proceeding on PCS, GEN Docket 90-314, the Commission adopted a licensing coverage scheme based on Rand McNally's Basic Trading Areas (BTAs) for local markets and Major Trading Areas (MTAs) for regional markets. There are 51 MTA and 492 BTA-based service areas under the plan adopted by the Commission. The channelization plan adopted by the Commission includes four 10 MHz blocks, one 20 MHz block, and two 30 MHz blocks. The rules allow licensees to aggregate not more than 40 MHz of spectrum in any geographic area. This will insure between three and seven PCS licenses in each area.

As we consider the comments in the competitive bidding proceeding, I can assure you that we will keep in mind our mandate to ensure economic opportunity for small businesses, as required by the Budget Act.

Sincerely,

James H. Quello  
Chairman

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SAM FARR  
17TH DISTRICT, CALIFORNIA

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**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0517**

September 14, 1993

1216 LONGWORTH BUILDING  
WASHINGTON, D.C. 20515-0517  
(202) 225-2881

DISTRICT OFFICES  
380 ALVARADO STREET  
MONTEREY, CA 93940  
(408) 849-3555

100 WEST ALISAL  
SALINAS, CA 93901  
(408) 424-2229

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SANTA CRUZ, CA 95060  
(408) 429-1976

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Mr. James Quello  
Acting Chairman  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Dear Chairman Quello:

I am writing regarding a matter of great importance to many small businesses in the telecommunications industry.

Soon, the Commission will be releasing rules pertaining to the allocation of spectrum for the developing personal communications services (PCS) industry. As these rules are finalized, I hope you will seek to incorporate the interests of small, entrepreneurial businesses. Independent, small business inclusion in this industry would be good for competition and, I believe, consumers.

Small PCS providers need the opportunity to compete in a fair and open market without being dependent on spectrum provided from larger businesses in the industry. Smaller service areas, smaller blocks of spectrum, and more licenses per market would essentially enable greater amounts of small businesses to enter the PCS marketplace. One alternative is a PCS licensing plan that allocates five 20MHz blocks of spectrum per market in small license areas. If licenses are auctioned for large regions, with only three licenses per market, the cost of bidding for and building out a PCS system would be prohibitive for most small business providers. The likelihood that larger companies would sell spectrum under the latter case in the form of franchises and subcontracts is small consolation to the many providers who want to 'go at it alone' in the marketplace.

Congress has historically placed a premium on the promotion of small business development in its legislation; most recently, in section 309 of the Omnibus Budget Reconciliation Act of 1993 related to the provision of spectrum-based services. As you continue your work on this issue, I urge you to keep congressional interest in mind. More important, of course, please keep in mind the interests of small business which is so essential to the economy and the entrepreneurial spirit of our country.

Mr. James Quello  
September 14, 1993  
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Thank you in advance for all of your consideration.

Sincerely



SAM FARR  
Member of Congress

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